

## Message Text

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AMCONSUL DHAHRAN  
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CINCEUR FOR POLAD

E.O. 11652: GDS  
TAGS: PFOR, SA, US, XF  
SUBJ: PARM - ANNUAL POLICY AND RESOURCE ASSESSMENT - PART I

REF: (A) CERP 0001, (B) STATE 38338, (C) STATE 47671  
(D) STATE 49794

ONE: OVERVIEW

1. THIS OVERVIEW BY THE AMBASSADOR IS DESIGNED TO  
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PRESENT SPECIFIC MAJOR PROBLEMS IN THE U.S. SAUDI  
RELATIONSHIP, AND RECOMMENDATIONS FOR DEALING WITH  
THEM WHICH SPRING FROM THE BROAD CONCEPT THAT OUR  
RELATIONS WITH THE KINGDOM OF SAUDI ARABIA ARE VERY  
IMPORTANT TO OUR PEOPLE AS A WHOLE, AND THEREFORE  
SHOULD BE PRESERVED AND ENHANCED.

2. THE ACTIONS AND WORDS OF THE CARTER ADMINISTRATION HAVE BROUGHT AMERICANS AND SAUDIS ALIKE -- IN LESS THAN TWO MONTHS -- TO THE TIGHT ANTICIPATION THAT A LONG PERIOD OF UNUSUALLY FRUITFUL COOPERATION MAY LIE AHEAD; AND AT THE SAME TIME HAVE ENGENDERED A HEIGHTENED FEAR THAT THE MANY-HEADED HYDRA KNOWN AS THE MIDDLE EAST PROBLEM WILL BREAK THE RESOLVE OF THE NEW ADMINISTRATION AS IT HAS DONE TO THAT OF OTHERS IN THE PAST.

3. UNITED STATES GOVERNMENT PERFORMANCE IN THE SITUATIONS AND EFFORTS WHICH MUST BE FACED OVER THE SHORT AND MEDIUM TERMS -- THROUGH THIS YEAR AND WELL INTO THE NEXT -- IS THE CRITICAL FACTOR: THE SAUDI ARABIAN ATTITUDE AND PERFORMANCE TOWARD US RIGHT NOW BEING MORE THAN SATISFACTORY IT IS ONLY WHAT WE DO OR FAIL TO DO WHICH CAN PRESERVE, OR DIMINISH, OUR POSITION HERE.

4. LET US NOW CONSIDER WHAT MUST BE DONE TO ATTAIN POSITIVE RESULTS, BEARING IN MIND THE FOUR FUNDAMENTAL PRECEPTS WHICH GOVERN SAUDI ARABIAN POLICY. THESE ARE:

1. THE SECURITY AND DEVELOPMENT OF THE KINGDOM.
2. THE PRESERVATION OF THE RELATIONSHIP WITH THE UNITED STATES.
3. THE SETTLEMENT OF THE M.E. PROBLEM.
4. THE PROTECTION AND PROPAGATION OF THE TENETS OF ISLAM.

IT IS OBVIOUS THAT PROGRESS IN THE FIRST AND THIRD OF THESE DEPENDS UPON THE EXTENT TO WHICH THE SECOND IS  
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ACHIEVED.

5. WE NOW TAKE UP THE SITUATIONS AND EFFORTS MENTIONED WITH WHICH WE MUST DEAL IN THE IMMEDIATE AND INTERMEDIATE FUTURE. THEY CAN BE LISTED AND DISCUSSED MORE OR LESS IN THE ORDER THEY WILL CONFRONT US:

6. ANTI-BOYCOTT LEGISLATION  
AS FAR AS SAUDI ARABIA IS CONCERNED THE BOYCOTT AGAINST ISRAEL IS A LEGITIMATE ACTIVITY. I BELIEVE THEY FIND THE ADMINISTRATION'S PROPOSALS TO CONGRESS ACCEPTABLE AND TOLERABLE. I AM AWARE THAT EVERYTHING POSSIBLE IS BEING DONE TO EVOKE REASONABLE LEGISLATION AND FURTHER EXHORTATIONS FROM US WOULD BE NECESSARY.

7. IF THE LEGISLATION NOW BEING WORKED ON TURNS OUT TO BE OBNOXIOUS TO THE GOVERNMENT OF SAUDI ARABIA, I BELIEVE THE EFFECTS COULD BE ATTENUATED IF THERE IS PROGRESS ON OTHER MATTERS OF IMPORTANCE LISTED AND

DISCUSSED IN THIS PAPER.

8. THE SUPPLY OF ARMS FOR THE DEFENSE OF SAUDI ARABIA.

IN THIS CATEGORY WE NEED FIRST OF ALL A CLEAR-CUT DECISION TO MEET OUR CONTRACT OBLIGATIONS IN A NORMAL MANNER FOR ALL HARDWARE OF A DEFENSIVE NATURE. IN COMMUNICATING SUCH A DECISION, THE USG SHOULD NOT FORGET TO PUT THE FROSTING ON THE CAKE: THE SAUDIS SHOULD BE TOLD OF OUR WILLINGNESS TO DISCUSS THEIR FUTURE NEEDS OF A DEFENSIVE NATURE. (POLICY PRECEPT NO 1: THE KINGDOM MUST BE SECURE).

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USLO RIYADH  
CINCEUR

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9. FOR OTHER EQUIPMENT CONSIDERED TO HAVE A MORE OFFENSIVE FUNCTION, I BELIEVE THE SAUDI GOVERNMENT WOULD RESPECT OUR DESIRE THAT THE MATTER NOT BE PUSHED

PENDING COMPLETION OF THE REVIEW OF ARMS SALES ORDERED BY THE PRESIDENT. THE KEY TO SAUDI ACCEPTANCE OF OUR NEED FOR MORE TIME TO DEVELOP OUR POLICY ON THIS SUBJECT LIES IN UNITED STATES GOVERNMENT EVENHANDEDNESS IN BOTH WORD AND FACT. A FAILURE BY US IN THAT RESPECT WOULD PUT IN MOTION, WITHOUT MUCH DELAY, EFFORTS TO PROCURE SUBSTITUTES FROM OTHER SOURCES.

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10. THE VISIT OF CROWN PRINCE FAHD

AT THE PRESENT TIME, CORWN PRINCE FAHD BIN ABDUL AZIZ IS EXERCISING, AS VICEROY, THE SOVEREIGN EXECUTIVE POWERS OF THE KINGDOM. HE IS THE POINT OFFINAL DECISION IN ALL MATTERS. IF HIS BROTHER'S HEALTH DOES NOT IMPROVE HE WILL CONTINUE TO OVERSEE AND ADMINISTER THE MAJOR AFFAIRS OF THE COUNTRY.

11. HE IS GENIAL BY NATURE AND EVER AWARE OF HIS PREROGATIVES. HIS UNDERSTANDING OF PROTOCOL IS PRECISE. HE IS GENEROUS AND REACTS WELL TO GENEROSITY. HE IS POLITICALLY ASTUTE. HIS POSITION IS FAR MORE SECURE THEN THAT OF ANY OTHER ARAB LEADERS. HE LIKES TO TALK. HE UNDERSTANDS SOME ENGLISH BUT ALWAYS USES AN INTERPRETER. HE VISITED THE UNITED STATES IN 1974. THIRTY THOUSAND AMERICANS ARE PRESENTLY INVOLVED IN THE DEVELOPMENT OF SAUDI ARABIA.

12. THE BEST TREATMENT WE COULD ACCORD THIS PWEERFUL PRINCE IS AS MUCH TIME AS POSSIBLE WITH THE PRESIDENT. HE WILL OPEN UP AND DISCLOSE HIS OWN HOPES FOR THE FUTURE OF THE U.S./SAUDI RELATIONSHIP TO WHICH HE IS DEEPLY ATTACHED. HE FIRMLY BELIEVES THAT IF THE M.E. PROBLEM CAN BE SETTLED THERE NEED BE NO LIMIT TO U.S./SAUDI COOPERATION. HE DOES NOT LIKE TO DISCUSS CONTENTIOUS MATTERS IN DETAIL WITH US, PREFERRING TO MAKE STATEMENTS OF HIS VIEWS ON SUCH SUBJECTS AND LEAVE IT AT THAT. SMALL GESTURES AND COURTESIES COULD HAVE CONSIDERABLE EFFECT ON HIM.

13. IN DISCUSSIONS WITH HIM WE SHOULD HAVE IN MIND THAT THROUGH 30 YEARS OF DIFFICULTY ARISING FROM OPPOSITE U.S./SAUDI POSITIONS ON THE M.E. PROBLEM THE HOUSE OF SAUD HAS NEVER WAVED IN ITS DESIRE TO MAINTAIN AND DEVELOP SAUDI/U.S. FRIENDSHIP. PRINCE FAHD IS ENTIRELY

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DEVOTED TO THAT POLICY. (POLICY PRECEPT NO 2: THE U.S./SAUDI RELATIONSHIP MUST BE PRESERVED.)

14. THE OPEC MEETING IN JULY

UNDER THE LEADERSHIP OF THE CROWN PRINCE, SAUDI ARABIA HAS MOVED BOLDLY TO OPPOSE INCREASES IN OIL PRICES, FIRST IN APRIL 1976, AND LATER IN DECEMBER OF THAT YEAR. THE SECOND OCCASION PRODUCED A SHARP SPLIT BETWEEN THE SAUDIS AND THE UNITED ARAB EMIRATES ON THE ONE HAND, AND THE ELEVEN OTHER MEMBERS OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES ON THE OTHER.

15. THE SAUDIS TOOK THE POSITION THAT THEY BASED THEIR ACTION ON THE BELIEF THAT WORLD ECONOMIC CONDITIONS MADE AN INCREASE UNWISE. SOME MEMBERS OF THE SAUDI GOVERNMENT, HOWEVER, EXPRESSED THE OPINION THAT THE SAUDI MOVE WAS MADE PARTLY IN THE EXPECTATION OF AN AMERICAN EFFORT TO ACHIEVE A SETTLEMENT OF THE M.E. PROBLEM, BUT WHEN THE PRESIDENT INDICATED THAT SUCH LINKAGE WAS NOT ACCEPTABLE THE CROWN PRINCE FOLLOWED WITH A PUBLIC DECLARATION TO THE EFFECT THAT ECONOMIC REASONS ALONE IMPELLED THE SAUDIS TO TAKE THE ACTION THEY DID.

16. GIVEN THE INTENSE SAUDI INTEREST IN A M.E. SETTLEMENT HOWEVER, THE BELIEF IS WIDESPREAD THAT SAUDI ARABIA WOULD FIND IT DIFFICULT TO CONTINUE TO RESIST THE PRESSURE OF OTHER OPEC MEMBERS FOR A PRICE RISE UNLESS PRINCE FAHD RETURNS FROM WASHINGTON FEELING CONVINCED THAT THE USG IS FIRMLY COMMITTED TO ACHIEVING PROGRESS TOWARD A SETTLEMENT.

17. AT THIS WRITING THE SAUDI GOVERNMENT SEEMS DETERMINED TO KEEP PRICES UNCHANGED, AND I BELIEVE IT WILL REMAIN SO UNTIL PRINCE FAHD VISITS THE PRESIDENT. IN ANTICIPATION OF THE NEED FOR MORE REVENUES REGARDLESS OF THE OUTCOME OF THE U.S. EFFORT TO ACHIEVE PEACE, IT IS  
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PUSHING HARD TO EXPAND ITS PRODUCTIVE CAPACITY IN THE OIL FIELDS. IF ITS SUPPORT FOR THE OTHER ARAB STATES AND THE PLO REQUIRES MORE FUNDS SAUDI ARABIA INTENDS, AS MATTERS STAND, TO ACQUIRE THEM BY SELLING MORE OIL WITHOUT INCREASING PRICES.

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18. PRINCE FAHD WILL PROBABLY INFORM THE PRESIDENT  
OF THE POLICY HIS GOVERNMENT WILL FOLLOW  
AT THE OPEC MEETING IN JULY. IF HE DOES NOT, HE COULD  
BE ASKED ABOUT IT. I ASSUME THAT SUITABLE EXPRESSIONS OF  
APPRECIATION WILL BE PROVIDED BY OUR SIDE TO OUR VISITOR WITH  
RESPECT TO THE POLICIES HIS GOVERNMENT HAS FOLLOWED UP  
TO NOW.

19. THE UNITED STATES EFFORT TO BRING ABOUT A MIDDLE EAST  
SETTLEMENT

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THE SAUDI ARABIAN POLICY-MAKERS, AND ESPECIALLY  
THE PARAMOUNT FIGURE DISCUSSED IN PARAGRAPHS 10 THROUGH  
13 OF THIS PAPER, ARE PLEASED AND AMAZED BY THE DIRECT  
AND OPEN WAY THE PRESIDENT HAS APPROACHED THE VEXING  
AND INTRACTABLE M.E. PROBLEM. THEY LIKE MUCH OF WHAT HE

HAS SAID AND THEY BELIEVE HE HAS MADE PROSPECTS FOR A SETTLEMENT BRIGHTER THAN THEY HAVE EVER BEEN. THEY ARE CONVINCED THAT IF A SETTLEMENT CAN BE ACHIEVED ALL OUTSTANDING PROBLEMS BETWEEN THEM AND THE AMERICANS WILL DISAPPEAR TO THE GREAT BENEFIT OF THE SAUDI AND AMERICAN PEOPLE. (POLICY PRECEPT NO 3: THE MIDDLE EAST PROBLEM MUST BE SETTLED.)

20. I BELIEVE THE PRESIDENT HIM SELF SHOULD DISCUSS THE M.E. PROBLEM WITH PRINCE FAHD WHEN THEY MEET. THE CROWN PRINCE IS EXTREMELY PLEASED BY THE PROSPECT. HE WILL OFFER HIS HELP AND COOPERATION. HE WILL SET FORTH THE NATURE OF THE PROBLEMS WE WILL ENCOUNTER ON THE ARAB SIDE. HE WILL DWELL HOPEFULLY ON THE NEGATIVE EFFECT A FAIR SETTLEMENT WOULD HAVE ON SOVIET MACHINATIONS IN THE MIDDLE EAST; AND HE WILL EXPRESS AN OPTIMISTIC VIEW OF U.S./SAUDI RELATIONS IN THE POST-SETTLEMENT PERIOD.

21. AMERICAN SUCCESS WOULD HAVE AN EXTRAORDINARY EFFECT IN SAUDI ARABIA. AS WE WORK AT IT, THEY WILL BE AWARE THAT WE ARE TRAVELLING A ROUGH AND LONESOME ROAD FULL OF DISAPPOINTMENT AND DIFFICULTY. BUT WE OURSELVES MAY DRAW SATISFACTION FROM KNOWING THAT THE SAUDI GOVERNMENT AND PEOPLE WILL REMAIN CLOSE TO US AS THEY HAVE, REGARDLESS OF ALL OTHER FACTORS, DURING THE 30 YEARS WE HAVE BEEN WALLOWING ABOUT IN THE M.E. MORASS.

TWO: INTERNAL STABILITY: OUR OVERRIDING INTEREST

1. THE OVERRIDING UNITED STATES INTEREST IN SAUDI  
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ARABIA -- FROM WHICH OUR OTHER INTERESTS AND OBJECTIVES DEPEND -- IS THE KINGDOM'S CONTINUED STABILITY UNDER THE HOUSE OF SAUDI. PRACTICALLY SPEAKING, THIS CAN BE TAKEN TO MEAN THE CONTINUATION IN POWER OF CROWN PRINCE FAHD AND HIS "PROGRESSIVE" PRO-WESTERN SUPPORTERS, AND IT SHOULD BE SAID THAT THEY SEEM BOTH STRONG AND STABLE. THERE IS NO SIGN OF AN IDENTIFIABLE, COHERENT OPPOSITION; IT IS THEREFORE DIFFICULT TO PREDICT THE SHAPE OF A SUCCESSOR REGIME IF THE PRESENT ONE WERE TO FALTER AND FALL. IF THAT WERE TO HAPPEN, THE CURRENTLY PROGRESSIVE AND STRONGLY PRO-AMERICAN LEADERSHIP MIGHT BE DISPLACED BY MORE CONSERVATIVE MEMBERS OF THE SAUD FAMILY WHO VIEW WITH CONCERN THE RAPID SOCIAL CHANGE AND DISLOCATIONS CAUSED BY THE PRESENT POLICY OF LARGE OIL LIFTINGS AND QUICK ECONOMIC DEVELOPMENT. CONSERVATIVE ELEMENTS INCLUDE YOUNGER AS WELL AS OLDER MEMBERS OF THE ROYAL FAMILY, AND THEY WOULD FIND ALLIES AMONG THE GROWING NUMBER OF TECHNOCRATS, SOME OF WHOM

ALSO SEEM TO BE SOURING ON THE POLICY OF RAPID DEVELOPMENT.

2. A SUCCESSOR REGIME COULD ALSO BE ISLAMAIC-PURITAN, IN WHICH CASE THE PRESENT ETHNOCENTRISM OF SAUDIS COULD DEVELOP A XENOPHOBIC ASPECT. SUCH A REGIME WOULD BE LESS LIKELY TO CONTINUE TO PRODUCE OIL BEYOND THE KINGDOM'S IMMEDIATE FINANCIAL NEEDS. THE EMPHASIS ON DEVELOPMENT AND MODERNIZATION WOULD PROBABLY DIMINISH, AS WOULD SUCH A REGIME'S CLOSE RELATIONS WITH THE UNITED STATES ON BILATERAL AND REGIONAL AFFAIRS.

3. IN GENERAL, HOWEVER, THE PROSPECTS FOR STABILITY AND THE STAYING POWER OF THE PRESENT REGIME ARE GOOD. THE LARGE AND PERVASIVE RULING FAMILY CONTINUES TO ENJOY WIDESPREAD LOYALTY AND IS STILL ACCESSIBLE TO HEAR PETITIONS AND COMPLAINTS. THE BOOMING ECONOMY PROVIDES SCOPE FOR ADVANCEMENT AND TENDS TO DRAW OFF THE ENERGIES OF MANY AMBITIOUS SAUDIS. THE REGIME'S EFFORTS TO MEET POPULAR DEMANDS FOR IMPROVED EDUCATION,

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HOUSING, AND HEALTH, ARE EVIDENT AND SINCERE; RESULTS DO NOT FALL FAR BELOW POPULAR EXPECTATIONS. SAUDIS ARE PROUD OF THE KINGDOM'S INCREASED STATURE IN INTERNATIONAL AFFAIRS. THERE ARE NO SERIOUS SIGNS OF DISSENSION IN THE ARMED FORCES, WHICH ARE ENGAGED IN A PROGRAM OF MODERNIZATION AND TO SOME EXTENT PREOCCUPIED WITH ABSORBING NEW EQUIPMENT, TRAINING, AND PUSHING FOR INCREASED SALARY AND PERKS. THE SECURITY SERVICES ARE GOOD AND APPEAR ABLE TO DEAL WITH SECURITY THREATS OVER THE SHORT TERM.

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4. THERE ARE ALSO SOME DANGER SIGNS. EMPHASIS ON RAPID  
(AND OFTEN POORLY PLANNED) DEVELOPMENT HAS CAUSED  
SCARCITIES, INFLATION AND UNSETTLING CHANGES IN TRADI-  
TIONAL PATTERNS OF LIVING. DESPITE GREATER OPPORTUNITIES  
FOR WEALTH AND ADVANCEMENT THERE IS A GROWING GAP BETWEEN  
THE RICH AND NOT RICH. COMMISSIONS, KICKBACKS, RAKEOFFS  
ARE ASPECTS OF DOING BUSINESS FOR WHICH THE SAUDIS  
TRADITIONALLY HAD CONSIDERABLE TOLERANCE. BUT GIVEN THE  
VAST SCALE OF TODAY'S PROJECTS, THE IMMENSE QUESTIONABLE  
PROFITS WHICH RESULT ARE NOW POPULARLY SEEN AS PLAIN  
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CORRUPTION. THE TREMENDOUS NUMBER OF FOREIGNERS IN THE  
KINGDOM (OVER 1.5 MILLION, WITH AN ADULT MALE COMPONENT  
PROBABLY EQUAL TO SAUDI ARABIA'S OWN CITIZENRY) MUST BE  
SEEN AS AT LEAST A POTENTIAL SUBVERSIVE THREAT. THE  
CENTER, HOWEVER, IS HOLDING FIRMLY AND LIKELY TO CONTINUE DOING  
SO. THE REGIME'S ABILITY TO MAINTAIN THE LOYALTY OF ITS  
SUBJECTS IS NOT LIKELY RAPIDLY TO DETERIORATE UNLESS  
IT RECEIVES A MAJOR SHOCK FROM ABROAD, SUCH AS THE  
FAILURE OF OUR PEACE EFFORT OR THE OUTBREAK OF ANOTHER  
ARAB-ISRAELI WAR IN WHICH THE U.S. IS SEEN TO SIDE WITH  
ISRAEL. LESS DRAMATIC DEVELOPMENTS -- ON BOYCOTTS OR  
MILITARY SALES, FOR EXAMPLE -- IN WHICH THE U.S. APPEARS  
TO REBUFF SAUDI ARABIA COULD HARM THE DOMINANT POSITION  
OF PRINCE FAHD AND HIS PROGRESSIVE, PRO-U.S. SUPPORTERS  
WHO ARE SEEN HERE AS HAVING IRREVOCABLY COMMITTED  
THEMSELVES TO A PRO-AMERICAN POLICY.

THREE: OBJECTIVES

A. OIL: ACCESS IN ADEQUATE QUANTITIES AT REASONABLE PRICES

1. OUR PRIMARY OBJECTIVE IN SAUDI ARABIA IS TO ASSURE ACCESS FOR OURSELVES AND FOR OUR FRIENDS TO SAUDI ARABIA'S OIL -- AND AT THE BEST PRICE AND IN SUFFICIENT SUPPLY. SAUDI OIL IS INDISPENSABLE TO THE FREE WORLD'S ECONOMY, AND THERE IS NO MEDIUM-TERM ENERGY ALTERNATIVE TO THE KINGDOM'S OIL RESERVES -- THE WORLD'S LARGEST. LAST YEAR OVER 20 PERCENT OF OUR OIL IMPORTS CAME FROM SAUDI ARABIA, AND BY 1980 THIS FIGURE COULD RISE TO 40 PERCENT.

2. NOT UNEXPECTEDLY, OIL SUPPLY AND OIL PRODUCTION ARE CENTRAL ISSUES FOR THE SAG AS WELL, AND ITS POSITION IS TO A LARGE DEGREE DEPENDENT ON ITS RELATIONSHIP WITH THE U.S. AND OTHER INDUSTRIALIZED  
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COUNTRIES. THE SAG HAS FORCEFULLY AND REPEATEDLY TOLD US THAT THEY WISH TO KEEP OIL AND POLITICS SEPARATE. THIS REPRESENTS WISDOM AND FOREBEARANCE ON THEIR PART, BUT WE MUST UNDERSTAND THAT THE SAG (AND ITS FELLOW ARABS AND OPEC MEMBERS) ARE AWARE THAT THE TWO ISSUES MAY NOT ALWAYS BE DISSOCIABLE.

B. MODERATING LEADERSHIP IN THE ARAB WORLD

3. BECAUSE OF ITS GREAT WEALTH, RECENT WILLINGNESS TO PLAY AN ACTIVE FOREIGN POLICY ROLE, AND TO A LESSER EXTENT BECAUSE OF ITS ISLAMIC CREDENTIALS, THE SAG HAS THE CAPACITY TO EXERT A MAJOR INFLUENCE ON EVENTS IN THE ARAB WORLD. THE SAUDI WORLD VIEW COINCIDES WITH OUR OWN IN MANY RESPECTS AND OFFERS OPPORTUNITIES FOR COOPERATION IN BRINGING PEACE AND STABILITY TO THE REGION. FOR THE SAUDIS COMMUNISM AND RADICALISM REPRESENT THE GREATEST DANGER TO THEIR OWN NATIONAL SURVIVAL. EVEN THE ARAB-ISRAELI DISPUTE IS REGARDED AS SIGNIFICANT PRIMARILY IN THIS LIGHT: SAUDIS BELIEVE THE CREATION OF ISRAEL AND SUBSEQUENT U.S. SUPPORT VASTLY IMPROVED THE OPPORTUNITIES FOR THE COMMUNISTS TO ENTER THE AREA; UNTIL THE ISSUE IS SETTLED THERE WILL BE BROAD SCOPE FOR COMMUNIST MACHINATIONS AND RESULTING INSTABILITY.

4. THE SAG CAN AT PRESENT LOOK AROUND AND SEE AN ARAB WORLD IN WHICH THEY ARE COMFORTABLE. THE TWO KEY ARAB COUNTRIES, SYRIA AND EGYPT, HAVE REGIMES WITH WHICH COOPERATION IS POSSIBLE, THE GULF ARAB STATES

ARE ACCEPTING SAUDI HEGEMONY, IRAQ IS ISOLATED, THE  
SAG HAS GOOD RELATIONS WITH THE YAR AND THE POSSIBILITY  
OF IMPROVING RELATIONS WITH THE PDRY. THE SAG DOES NOT  
VIEW THIS SITUATION AS PERMANENT OR INHERENTLY  
STABLE. OF PARTICULAR CONCERN ARE THE POTENTIAL  
INTERNAL THREATS TO THE EGYPTIAN AND SYRIAN REGIMES.

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PEACE WITH ISRAEL ASSUMES URGENCY IN ORDER TO REMOVE  
A CAUSE OF POPULAR DISSENSION AND TO ENABLE THOSE  
COUNTRIES TO CONCENTRATE ON INTERNAL DEVELOPMENT.

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5. FOR THE SAUDIS A SETTLEMENT WITH ISRAEL IMPLIES TERMS MINIMALLY SATISFYING ARAB PALESTINIAN DEMANDS. THE SAUDIS HAVE NO FIRM VIEWS ON WHAT FORM A SETTLEMENT SHOULD TAKE; IN GENERAL WHAT IS ACCEPTABLE TO THE CONFRONTATION STATES IS SATISFACTORY TO THE SAG. THE SAUDIS WILL NOT TAKE THE RESPONSIBILITY FOR DICTATING TO OTHER STATES WHAT THEY SHOULD ACCEPT. THEY DO, HOWEVER, HAVE A FAIRLY REALISTIC VIEW OF WHAT IS POSSIBLE. UNDER THE RIGHT CIRCUMSTANCES THEY COULD BE BROUGHT TO USE THEIR IN-  
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FLUENCE TO MODERATE POSITIONS OF FELLOW ARAB STATES WHICH THEY REGARD AS UNDULY RIGID OR IRRELEVANT TO THE ESSENTIALS OF A SOLUTION.

6. WHILE CONTINUING TO DO WHAT THEY CAN TO BRING ABOUT AN ARAB-ISRAELI SETTLEMENT -- INCLUDING EXERCISING WHAT INFLUENCE THEY CAN ON THE USG TO PRESSURE ISRAEL -- THE SAUDIS WILL PROVIDE POLITICAL AND FINANCIAL SUPPORT TO BOLSTER FRIENDLY ARAB REGIMES.

#### C. EXPORT SALES

7. IN SPITE OF SOME PROBLEMS OF ABSORPTION, DISBURSEMENTS FROM SAUDI ARABIA'S \$142 BILLION FIVE-YEAR DEVELOPMENT PLAN HAVE CONTINUED TO INCREASE; THEY SHOULD EXCEED \$20 BILLION THIS FISCAL YEAR. WE WANT A MAJOR SHARE OF THIS EXPENDITURE -- IN THE FORM OF EXPORT GOODS OR DEVELOPMENT CONTRACTS. WE SOLD SAUDI ARABIA \$2.7 BILLION WORTH OF GOODS IN 1976, AND AT LEAST ANOTHER \$1 BILLION IN SERVICES. OVER 10,000 AMERICANS WORK IN SAUDI ARABIA AND ARE SUPPORTED AT HOME BY PERHAPS FOUR TIMES THAT NUMBER OF JOBS. FOR THE NEXT DECADE, SAUDI ARABIA WILL BE PERHAPS THE SINGLE GREATEST COMMERCIAL MARKET FOR EXPORTS OF U.S. GOODS AND SERVICES. SUCH SALES ARE ESSENTIAL TO HELP BALANCE OUR INCREASING COSTS OF OIL IMPORTS (5.7 BILLION DOLLARS IN 1976).

8. THE U.S. SHARE OF THE SAUDI MARKET, HOWEVER, HAS DECLINED IN THE 1970'S BECAUSE OF FOREIGN COMPETITION AND, SINCE 1973, BECAUSE OF A CONSCIOUS (IF UNSTATED AND INTERMITTENT) POLICY BY THE SAG OF LESSENING ITS IMPORT DEPENDENCE ON THE U.S. OTHER INDUSTRIALIZED COUNTRIES, AND A NUMBER OF DEVELOPING COUNTRIES, ARE WORKING HARD AND SUCCESS-  
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FULLY TO REDEEM THEIR OIL EXPENDITURES IN THE EXPANDING SAUDI MARKET. JUST TO MAINTAIN OUR PRESENT MARKET POSITION THEREFORE WILL REQUIRE A BIG EFFORT. THIS EFFORT IS NOT HELPED BY THE LOSS OF TAX CREDITS FOR OVERSEAS AMERICANS OR BY STRINGENT ANTI-BOYCOTT REPORTING AND CONTRACTING REQUIREMENTS.

D. RESPONSIBLE DISPOSITION OF SAUDI FINANCIAL SURPLUSES

9. THE SAG HAS BECOME A WORLD FINANCIAL POWER OF AWESOME POTENTIAL. ITS FOREIGN RESERVES (\$27 BILLION) ARE SECOND ONLY TO GERMANY'S, AND ITS FOREIGN OFFICIAL ASSETS (\$52 BILLION) ARE OF ALMOST EQUAL SIZE. SAUDI FINANCIAL POLICIES HAVE BEEN HIGHLY RESPONSIBLE AND CONSERVATIVE; SAUDI POLICY-MAKERS SEE THEIR WEALTH AS A NEST EGG FOR FUTURE GENERATIONS AND HENCE THEY UNDERSTAND HOW IMPORTANT THE ORDERLY FUNCTIONING OF THE WORLD ECONOMY IS TO THEM. THE POSSIBILITY OF THEIR USING THEIR FINANCIAL STRENGTH FOR TRANSITORY POLITICAL OR ECONOMIC GOALS IS NOT GREAT, BUT A NEW MIDDLE EASTERN WAR, MORE THAN ANYTHING ELSE, WOULD CAUSE THIS POSSIBILITY TO BECOME REALITY.

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AMCONSUL DHAHRAN  
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AMEMBASSY MUSCAT  
AMEMBASSY TEHRAN  
USLO RIYADH  
CINCEUR

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CINCEUR FOR POLAD

E. PROMOTION AND PROTECTION OF U.S. CITIZEN INTERESTS

10. THERE ARE NOW AROUND 30,000 AMERICANS IN THE KINGDOM. THEIR NUMBER WILL PROBABLY CONTINUE TO GROW, THOUGH PERHAPS NOT AT THE SAME PACE AS OVER THE PAST TWO YEARS. AS DEVELOPMENT PROJECTS SPREAD ACROSS THE VAST 900,000 SQUARE-MILE COUNTRY, IT WILL BE HARDER TO PROVIDE OUR CITIZENS WITH CONSULAR SERVICES AND TO PROTECT THEM WHEN THEY RUN AFOUL OF SAUDI LAW. WE SHOULD AIM AT KEEPING OUR CONSULAR REPRESENTATIONS AT SECRET

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A LEVEL ADEQUATE TO PROVIDE GOOD CONSULAR SERVICES AND ALSO ATTEMPT IN THE MIDDLE TERM TO IMPROVE THE LEGAL UNDERPINNINGS OF OUR CONSULAR PRESENCE. THE ONLY EXISTING AGREEMENT ON THIS SUBJECT IS A SKETCHY PROVISIONAL AGREEMENT SIGNED IN 1933.

F. STABILITY IN THE PERSIAN GULF/RED SEA AREAS

11. SAUDI ARABIA SHARES THE U.S. INTEREST THAT THERE BE STABLE AND FRIENDLY REGIMES IN THE PERSIAN GULF -- FROM WHICH THE U.S. AND ITS ALLIES DERIVE MUCH OR MOST OF THEIR IMPORTED OIL. WITHIN THE PAST THREE YEARS SAUDI ARABIA HAS CONSOLIDATED ITS INFLUENCE FROM KUWAIT TO OMAN AND IN SO DOING HAS DIMINISHED THE LIKELIHOOD OF OUTSIDE MEDDLING IN THE AFFAIRS OF THOSE STATES, PARTICULARLY FROM IRAQ. SAUDI-IRAQI RELATIONS ARE CORRECT BUT NOT EASY; SINCE THE DECEMBER, 1976 OPEC MEETING IN DOHA THESE RELATIONS HAVE DETERIORATED SOMEWHAT WITH THE IRAQIS RESUMING LIMITED PROPAGANDA ATTACKS ON THE KINGDOM. THIS DETERIORATION IS NOT SIGNIFICANT WHILE SAUDI ARABIA MAINTAINS GOOD RELATIONS WITH OTHER KEY STATES, INCLUDING EGYPT, SYRIA, AND PARTICULARLY IRAN. RELATIONS WITH IRAN HAVE ALSO COOLED SOMEWHAT SINCE THE OPEC MEETING BECAUSE OF POLICY DIFFERENCES OVER OIL PRICING AND PRODUCTION. THERE IS, HOWEVER, A GENERAL CONVERGENCE

OF VIEWS ON MOST POLITICAL MATTERS DESPITE SOME SAUDI UNEASINESS OVER APPARENT IRANIAN PRETENSIONS TO A DOMINANT SECURITY ROLE IN THE GULF AREA. WHILE CONTINUED SAUDI-IRANIAN HARMONY SHOULD BE A U.S. OBJECTIVE, ITS ATTAINMENT IS MADE DIFFICULT BECAUSE OF THE CRUCIAL IMPORTANCE OF PETROLEUM PRICING AND PRODUCTION TO BOTH COUNTRIES AND BECAUSE OUR INTEREST IN LOW WORLD OIL PRICES REQUIRES THAT WE DISCOURAGE THE SAG FROM COMPROMISING ON THIS ISSUE.

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12. THE SAUDIS SHARE OUR CONCERN OVER RUSSIAN EXPANSION IN THE INDIAN OCEAN, PARTICULARLY AS IT HAS SPREAD NORTHWARD TOWARDS THE RED SEA. THE SAUDIS ARE NOW ACTIVELY, IF NOT YET VERY EFFECTIVELY, TRYING TO DIMINISH SOVIET AND RADICAL INFLUENCE IN THE PEOPLES DEMOCRATIC REPUBLIC OF YEMEN (PDY) AND IN SOMALIA. FOR SIMILAR (THOUGH MORE COMPLEX) REASONS THEY ARE SUPPORTING THE NON-COMMUNIST AND MODERATE REGIMES IN THE YEMEN ARAB REPUBLIC AND THE SUDAN. THEY SUPPORT AN INDEPENDENT DJIBOUTI AND A CONTINUED FRENCH MILITARY PRESENCE IF THE POST-INDEPENDENCE GOVERNMENT AGREES.

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USLO RIYADH  
CINCEUR

S E C R E T SECTION 7 OF 9 JIDDA 2466

CINCEUR FOR POLAD

G. USING SAUDI INFLUENCE IN THE THIRD WORLD

13. WE SHOULD CHANNEL SAUDI ARABIA'S CONSIDERABLE INFLUENCE IN THE "THIRD WORLD" -- AND PARTICULARLY WITH ITS MUSLIM MEMBERS -- TOWARD CONSTRUCTIVE AND COOPERATIVE ENDEAVORS. THERE IS A LIMIT TO HOW MUCH THIS CAN BE DONE BECAUSE OF (A) GENUINE SAUDI COMMITMENT TO A NUMBER OF OFTEN QUIXOTIC THIRD WORLD GOALS; (B) DESIRE TO WIN THE THIRD WORLD TO SUPPORT ARAB CAUSES; AND (C) SENSITIVITY TO BEING LABELED AND  
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IMPERIALIST STOOGES -- WHICH PRODUCES A TENDENCY TO HIDE IN THIRD WORLD COVER. WHERE THERE IS CLEAR COMMON INTEREST OR A MANIFESTLY IMPORTANT "WESTERN" INTEREST) SAUDI ARABIA HAS DEMONSTRATED THAT IT IS A POWERFUL ALLY (E.G., AS IN KILLING THE KOREAN QUESTION AT THE 1976 UNGA). THIS IS ALSO THE CASE WHERE THERE IS AN ISSUE OF GREAT IMPORTANCE TO THE U.S. (E.G., PUERTO RICO).

14. WE SHOULD ALSO AIM FOR CLOSER COORDINATION OF POLICIES DESIGNED TO LIMIT COMMUNIST INFLUENCE IN AFRICA AND ASIA. IN CASES SUCH AS SOUTH KOREA AND THE REPUBLIC OF CHINA, SAUDI ARABIA DOES NOT NEED TO BE LED. THERE WILL BE OTHER CASES (PERHAPS SUCH AS COMBATTING COMMUNISM IN AFRICA) WHERE WE COULD FOCUS SAUDI INFLUENCE AND DIRECT SPENDING WHERE IT WILL DO THE MOST GOOD. (SEE IV-D)

FOUR: POLICY RECOMMENDATIONS

A. MIDDLE EAST PEACE: OUR EFFORTS MUST SUCCEED

1. WE ARE OFF TO A GOOD START IN THE SEARCH FOR A MIDDLE EAST PEACE. THE SAUDIS ARE HEARTENED BY THE SERIOUSNESS AND ENERGY OF THE ADMINISTRATION'S FIRST STEPS. TO PRESERVE OUR MAIN INTEREST AND ATTAIN THE



OBJECTIVES LISTED ABOVE, WE MUST KEEP GOING AND SUCCEED.  
THE SAUDIS HAVE COME OUT OF THEIR FOREIGN POLICY SHELL  
AND CANNOT EASILY RETREAT BACK INTO IT. THEY ARE  
CLOSELY ASSOCIATED NOW WITH THE GENERAL ARAB CAUSE.  
THIS IS GOOD IN THAT IT GIVES US A VALUABLE PARTNER  
IN THE SEARCH FOR PEACE. WITHIN LIMITS THE SAUDIS  
CAN BE HELPFUL IN MODERATING THE ARAB POSITION. THE  
DRAWBACK IS THAT SAUDI ARABIA WILL STAND SOLIDLY WITH  
THE OTHER ARAB STATES IF THE PEACE EFFORT SHOULD FAIL.  
IF THE ARAB-ISRAELI CONFLICT HEATS UP, WE MUST ABSOLUTELY  
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UNDERSTAND THAT THE DAYS OF THE "TWO TRACK" SAUDI  
FOREIGN POLICY IN WHICH BILATERAL RELATIONS WITH THE  
U.S. WERE TREATED IN ISOLATION FROM THE ARAB-ISRAELI  
PROBLEM ARE OVER. (FOR FAIRER WEATHER, SEE IV-D)

2. SINCE THE SAG IS IN THE GAME ANYWAY, WE SHOULD  
SEE THAT IT IS KEPT FULLY INFORMED OF ALL DEVELOPMENTS.  
THE EGYPTIANS, SYRIANS, AND OTHERS WILL GIVE THEM THEIR  
VERSIONS IN ANY CASE. WE MUST AVOID A SITUATION SUCH  
AS OCCURRED AFTER THE SIGNING OF THE SECOND SINAI  
AGREEMENT WHEN THE SAUDIS WERE INDUCED TO GIVE THEIR  
SUPPORT (ALBEIT TEPID) TO THE AGREEMENT ONLY TO FIND  
OUT LATER THAT THERE WERE ASPECTS OF THE AGREEMENT OF  
WHICH THEY WERE UNAWARE. MOREOVER, THOUGH THE SAUDIS  
DON'T COUNT ON BEING A PARTY TO THE PEACE AGREEMENT,  
WE ASSUME THAT WE WILL WANT THEM TO UNDERWRITE SOME  
OF ITS FINANCIAL ASPECTS (SUCH AS WHATEVER HOMELAND  
MAY EMERGE FOR THE PALESTINIANS). WE CAN'T EXPECT  
THEM TO DO THIS AFTER THE FACT.

3. IF OUR PEACE EFFORTS FAIL AND A WAR BREAKS OUT,  
OUR RELATIONS WITH THE KINGDOM WILL BE JEOPARDIZED.  
EVEN IF A WAR DOES NOT BREAK OUT, THE EMBARRASSMENT  
TO OUR PRINCIPAL SUPPORTERS COULD CAUSE A CHANGE IN  
SAG POLICIES, AND CONCEIVABLY, PERSONNEL. OUR PRIMARY  
INTEREST IN SAUDI ARABIA COULD BE HARMED.

4. IF OUR PEACE EFFORTS, MOREOVER, DO NOT SEEM TO BE  
GOING WELL, IT COULD ALSO BE MUCH HARDER TO SECURE  
OUR PRIMARY OBJECTIVE -- ADEQUATE SUPPLIES OF OIL AT  
THE LOWEST PRICE. THE SAG DID NOT BREAK ON PRICES  
WITH THE OTHER TEN OPEC MEMBERS SOLELY BECAUSE IT  
WANTED TO GIVE THE NEW ADMINISTRATION A CHANCE TO  
CONCENTRATE ON A PEACE SETTLEMENT. BUT WITHOUT SOME  
EARLY PROGRESS TOWARD THIS IMPORTANT POLITICAL GOAL  
OF THE SAG'S, IT WILL BE HARDER FOR THE SAG'S LEADERS  
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TO IGNORE DOMESTIC AND FOREIGN CRITICISM THAT SAUDI ARABIA'S POLICIES ARE HURTING SAUDI SOCIETY, AS WELL AS ITS RELATIONS WITH IRAN AND THE OTHER ARAB AND THIRD WORLD MEMBERS OF OPEC.

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AMEMBASSY DAMASCUS  
AMCONSUL DHAHRAN  
AMEMBASSY DOHA  
AMEMBASSY MUSCAT  
AMEMBASSY TEHRAN  
USLO RIYADH  
CINCEUR

S E C R E T SECTION 8 OF 9 JIDDA 2466

CINCEUR FOR POLAD

B. ARMS POLICY: HELP SAG WITH ITS LEGITIMATE DEFENSE NEEDS

5. SAUDI LEADERS HAVE OFTEN MADE IT CLEAR THAT IF THE U.S. WISHES TO ENJOY THE BENEFITS OF A BROAD AND CLOSE COOPERATIVE RELATIONSHIP WITH SAUDI ARABIA INCLUDING TRADE, FINANCE, AND DEVELOPMENT, WE MUST HELP SAUDI ARABIA WITH ITS LEGITIMATE DEFENSE NEEDS.

THE SAUDIS SAY THEY ARE SITTING ON ONE OF THE WORLD'S  
GREATEST TREASURES AND HAVE THE RIGHT TO DEFEND IT.

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6. WE HAVE HELPED THE SAG WITH ITS DEFENSES SINCE  
SOON AFTER WW II. IN 1974 WE MADE A COMPREHENSIVE  
SURVEY OF THE SAUDI ARMED FORCES. THE SURVEY REPORT  
CONTAINED A NUMBER OF RECOMMENDATIONS FOR MODERNIZATION,  
BUT NO SIGNIFICANT EXPANSION, OF THE SAUDI ARMED FORCES.  
THE SAG HAS BEEN ADHERING FAIRLY CLOSELY TO THESE  
RECOMMENDATIONS WHICH WITH TIME WOULD GIVE THEM A  
MODEST DEFENSIVE, BUT NO SIGNIFICANT OFFENSIVE,  
CAPABILITY. SAG LEADERS BELIEVE THE U.S. HAS MADE A  
COMMITMENT TO ASSIST IN THE MODERNIZATION OF THE SAUDI  
ARMED FORCES UP TO AN INCLUDING THE PROVISION OF AN  
ADVANCED FIGHTER AIRCRAFT. (THEY SEE OUR COMMITMENT TO A  
SPECIFIC AIRCRAFT, SUCH AS THE F-15, AS MORE VAGUE.)

7. THE RECORD IS CLEAR ON WHAT COMMITMENTS HAVE BEEN  
MADE OR WHERE THE SAG COULD REASONABLY UNDERSTAND THAT  
A COMMITMENT HAS BEEN MADE. FAILURE TO LIVE UP TO AN  
EXPLICIT OR IMPLIED COMMITMENT WILL HARM OUR RELATIONS  
WITH THE SAG. HOW MUCH WILL DEPEND ON THE CIRCUMSTANCES.  
IF WE CAN ACHIEVE OR SEEM SUCCESSFULLY TO BE MOVING  
TOWARD A MIDDLE EAST PEACE SETTLEMENT, WE WILL BE ABLE  
TO GET AWAY WITH A GREAT DEAL. WE WILL HAVE A LOT OF  
POLITICAL CAPITAL WHICH CAN BE DRAWN DOWN.

8. IN LOOKING AT SAUDI DEFENSE REQUESTS WE SHOULD  
REMEMBER THAT THEY HAVE BEEN DRAWN UP INDEPENDENT OF  
THE ARAB-ISRAELI DISPUTE AND ITS SETTLEMENT WILL NOT  
NECESSARILY REDUCE WHAT THE SAUDIS CONSIDER THEIR  
DEFENSE REQUIREMENTS. (THE ARMED FORCES SURVEY  
CONDUCTED BY THE USG POSITED IRAQ AND THE PDRY AS  
THE THREAT.) SAUDI ARABIA DOES NOT HAVE AND HAS  
NEVER SERIOUSLY PLANNED FOR A CAPABILITY AGAINST  
ISRAEL.

C. TRADE: AVOID CONFRONTATIONS

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9. USG POLICY CORRECTLY EMPHASIZES EXPANDING TRADE  
AND ECONOMIC COOPERATION WITH SAUDI ARABIA. OUR  
COMMERCIAL EFFORT, HOWEVER, WILL BE HURT THIS

COMING YEAR BY U.S. TAX AND EXPORT ADMINISTRATION LEGISLATION WHICH WILL MAKE IT MORE COMPLICATED AND MORE EXPENSIVE FOR SAUDIS TO BUY U.S. GOODS AND SERVICES. WE COMMEND THE DEPARTMENT'S EFFORTS TO MITIGATE THE HARSHTEST FEATURES OF THE ANTI-BOYCOTT LAWS CURRENTLY ON THE TABLE. WE HAVE HAD SOME SUCCESS IN DEALING WITH CERTAIN SAUDI BOYCOTT-RELATED RESTRICTIONS OVER THE PAST YEAR, AND MAY BE ABLE TO CONTINUE TO DEAL PROGMATICALLY WITH THE SAG IF IT DOES NOT PERCEIVE USG ACTS AS CONFRONT-ATIONAL. WE WILL HAVE TO CAREFULLY MANAGE THE PRESENTATION OF OUR ANTI-BOYCOTT LEGISLATION. CLEAR, WORKABLE, AND PREFERABLY FLEXIBLE GUIDELINES SHOULD BE DRAFTED AS RAPIDLY AS POSSIBLE FOLLOWING PASSAGE OF LEGISLATION; PERHAPS A HIGH-LEVEL EMISSARY COULD BE SENT OUT TO EXPLAIN THE RATIONALE, AIMS, AND WORKINGS OF THE NEW LAW TO KEY SAUDI AND OTHER ARAB LEADERS.

D. CONSULTATION AND POLICY COORDINATION: THOROUGH AND EARLY

#### 10. MULTILATERAL AFFAIRS

THERE IS BROAD SCOPE FOR COOPERATION WITH THE SAG ON A NUMBER OF MULTILATERAL ISSUES. A NUMBER OF FACTORS, INCLUDING THE SHAPE OF SAUDI BUREACRACY REQUIRE THAT CONSULTATION ON THESE ISSUES BE THOROUGH AND EARLY. THE DEPARTMENT'S SUPPORT IN THIS REGARD HAS IMPROVED. WE MUST ALSO TRY TO KEEP OUR DISAGREEMENTS IN ONE AREA FROM GETTING IN THE WAY OF COOPERATION IN OTHERS. IN PRACTICAL TERMS THIS MEANS THE ARAB-ISRAELI DISPUTE. SO LONG AS THE MIDDLE EAST IS NOT ACCELERATING TOWARD A CRISIS, THE SAG IS FAIRLY ADEPT AT COMPARTMENTALIZING  
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THIS ISSUE, WE LESS SO. WE HOPE THAT NO ISSUE COMPARABLE TO ZIONISM/RACISM WILL ARISE AGAIN BUT IF IT DOES, OUR INTERESTS MIGHT BE BEST SERVED BY AVOIDING ON THE OFFICIAL LEVEL AN EMOTIONAL RESPONSE WHICH SOURS THE ATMOSPHERE FOR MULTILATERAL COOPERATION (NOTE IV-A)

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AMCONSUL DHAHRAN  
AMEMBASSY DOHA  
AMEMBASSY MUSCAT  
AMEMBASSY TEHRAN  
USLO RIYADH  
CINCEUR

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CINCEUR FOR POLAD

11. AFRICA AND THE THIRD WORLD  
ASIDE FROM THE MIDDLE EAST ITSELF, THE GREATEST POSSI-  
BILITIES FOR COOPERATION WITH THE SAG EXIST NOW IN AFRICA,  
AND ESPECIALLY IN THE HORN. THE SAG HAS ASKED US FOR A  
COORDINATED POLICY AND PLAN OF ACTION TO DRIVE THE SOVIETS  
FROM THE REGION. THE SAUDIS HAVE NOW SELECTED SOMALIA  
AS A PRIMARY TARGET OF OPPORTUNITY. WE HAVE NOT BEEN  
ABLE TO RESPOND CLEARLY AND DECISIVELY TO SAUDI REQUESTS  
FOR ADVICE AND COORDINATION. THIS PERHAPS RESULTS FROM  
THE BROADER NATURE OF OUR OWN AFRICAN INVOLVEMENT OR  
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BECAUSE OUR OWN POLICY IS IN FLUX. WHATEVER THE REASON,  
WE HAVE GIVEN THE SAG THE IMPRESSION THAT WE ARE EITHER  
INDIFFERENT OR INEPT. IF WE ARE TO HAVE FRUITFUL COOP-  
ERATION WITH THE SAG IN AFRICA OR ANY OTHER AREA WE  
MUST GIVE A CLEAR AND COMPREHENSIVE PICTURE OF OUR OWN  
POLICY, OF THE JOINT POLICY ENVISIONED, AND OF THE  
SAUDI ROLE. ON THIS LATTER POINT, WE MUST AVOID GIVING  
THE SAUDIS THE IMPRESSION THAT THEY ARE IN THE GAME  
ONLY TO PAY THE BILL. THEY ARE NOT AVERSE TO PAYING,

BUT PREFER THAT OTHERS ALSO HAVE A FINANCIAL STAKE.  
THEY ARE MOST AVERSE TO APPEAR TO BE BEING USED AS A  
"MILCH COW" (A TERM WE HAVE HEARD SAUDI LEADERS USE IN  
THIS CONNECTION.)  
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